



# Montana Association of Counties

*Serving Montana Counties Since 1909*

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November 16, 2012

## State Administration & Veterans Affairs Committee

Honorable Chair Ingraham and Members of the Committee:

On April 10, 2012, the Governor released his legislative proposal regarding the unfunded pension liability. The proposal was further elaborated on and defined during subsequent meetings of the State Administration and Veteran's Affairs and Legislative Finance Committees.

The membership of the Montana Association of Counties (MACo) held District meetings in May and August 2012, where lengthy discussions were held regarding the status of the pension systems. During those meetings, the membership established guiding philosophies and provided MACo staff with guidance to continue to monitor, and report on, proposed solutions.

At the September 26, 2012 membership meeting of the Montana Association of Counties, a thorough review and discussion of the language and potential fiscal impact to counties contained in LCsa07, as drafted at that time, was conducted.

Following the in-depth review and discussion, the membership unanimously directed the staff of the Association to oppose LCsa07, regarding the Montana Public Employees Retirement System (PERS).

The language as presented in new section 4 will require the counties to pay a portion of the unfunded actuarial liability to amortize the defined benefit plans within 30 years. This language is of extreme concern of the membership for the following reasons:

- 1) The amount will be determined by an unknown actuary, based on assumptions and projections established by the Montana Public Employees Retirement Board, and certified by the Board. Counties do not have any input into, or control of, these decisions.
- 2) The amount will be uncontrollable, unpredictable, and counties will not be able to budget for these costs.
- 3) The requirement could be construed as an unlawful delegation of authority by appropriating county funds. The sole authority and responsibility of County Commissioners for appropriating county funds is clearly defined in Montana Code Annotated Section 7-6-4030.
- 4) As there is no revenue stream being proposed to offset the required additional contributions, the costs would need to be paid from existing revenues. This could potentially be a significant fiscal drain on county budgets and will in all likelihood negatively affect the counties abilities to continue to fund and administer essential programs and services to the public.

MACo

STATE ADMINISTRATION & VETERANS' AFFAIRS  
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**Exhibit 15**

- 5) LCsa07 does not address the unfunded actuarial liability or the actuarially required contribution rate for the Sheriff's Retirement System (SRS). As over 95% of the contributions to this system come from counties and their employees, the fiscal impact of any potential solution will also affect county revenues and abilities to protect and serve the public.

The membership of the Montana Association of Counties clearly recognizes they may have an obligation to help solve our overwhelming pension problem, by assisting in achieving and sustaining actuarial soundness. However, county revenue resources are limited, and they request that any proposals contain the necessary language and funding components to ensure that the contributions being requested for local governments do not place an additional strain on their county budgets, so they may continue provide essential programs and services to the public. The membership also believes that policy reform is necessary to stabilize the system.

During their meeting, the Membership of the Montana Association of Counties unanimously adopted the following policy statement:

*"MACo supports efforts to implement pension reform policies to provide equitable long term funding and member benefit stability for the Montana Public Employees Retirement Systems affecting county employees, to achieve and maintain solvency and actuarial soundness and equity among beneficiaries and contributors to the system."*

It is important to ensure that our valued employees who have dedicated their lives to public service can rest assured they will have a secure benefit upon their retirement.

The membership and leadership of the Montana Association of Counties look forward to working with all parties, as we all work collectively to develop a plan to achieve fiscal solvency and sustainability of our Public Employees Retirement System; while also achieving equity in benefit plan design and contributions for the System's beneficiaries and contributors.